

Part IV.--- Items of General Interest

Election of Alternative Funding Schedule

Announcement 2006-70

This announcement sets forth the procedures for electing an alternative funding schedule for contributions as described in section 402(a)(1) of the Pension Protection Act of 2006 (PPA), Pub. L. No. 109-280.

I. Background

Section 402(a)(1) of the PPA permits an eligible plan to elect an alternative funding schedule to apply in lieu of the generally applicable minimum funding requirements. An eligible plan is a defined benefit plan (other than a multiemployer plan) that is sponsored by an employer that is a commercial passenger airline or whose principal business is providing catering services to a commercial passenger airline.

If an election for an alternative funding schedule under section 402(a)(1) of the PPA is made by an employer that sponsors an eligible plan, the election should specify that it will first be effective in a plan year beginning in 2006 or a plan year beginning in 2007. Any such election applies to the plan year for which the election is made and subsequent plan years unless revoked with the consent of the Service. An election that first applies the alternative funding schedule for a plan year beginning in 2006 must be made not later than December 31, 2006, and an election that first applies the alternative funding schedule for a plan year beginning in 2007 must be made not later than December 31, 2007. The plan sponsor is permitted to specify a new plan year as part of the alternative funding schedule election, and the change of plan year does not require the approval of the Service.

If an election is made under section 402(a)(1) of the PPA to have an alternative funding schedule apply to an eligible plan for a plan year beginning before January 1, 2008, and if certain other requirements of section 402 of the PPA are satisfied, then, in the case of any applicable plan year (i.e., a plan year for which the alternative funding schedule election is made or a subsequent plan year) beginning before January 1, 2008, the plan will not have an accumulated funding deficiency for purposes of section 302 of the Employee Retirement Income Security Act of 1974 (ERISA) and §§ 412 and 4971 of the Internal Revenue Code (Code) if the contributions for the plan year are not less than the minimum required contribution determined under section 402(e) of the PPA. Similar relief from the minimum funding requirements applies to plan years beginning on or after January 1, 2008, if an alternative funding schedule election is made. In general, under section 402(e) of the PPA, a plan's minimum required contribution is the amount necessary to amortize the plan's unfunded liability over 17 plan years beginning with the first applicable plan year, determined using specified methods and assumptions.

Section II of this announcement sets forth the information that must be contained in the election and the address to which the election must be sent.

II. Election of Alternative Funding Schedule under Section 402(a)(1) of the Pension Protection Act of 2006

A. As an officer of the employer maintaining the plan, I hereby elect **the** alternative funding schedule under section 402(a)(1) of PPA and provide the following information:

1. The employer is:

_____ (a) a commercial passenger airline, or

_____ (b) an entity whose principal business is providing catering services to a commercial passenger airline.

2. The name and EIN of the employer: _____

3. The name and plan number of the plan: _____

4. Specify the first plan year for which the alternative funding schedule provisions are to apply: _____

5. If the plan year is being changed, specify both the old and new plan years:

Signature of employer _____ Date _____

The election must be signed by an officer of the employer maintaining the plan. An authorized representative of the employer, a plan administrator, or an enrolled actuary may not sign this election on behalf of the employer.

B. This election must be filed at the following address:

Internal Revenue Service
Commissioner, Tax Exempt and Government Entities Division
Attention: SE:T:EP:RA:T
Alternative Funding Schedule Election
P.O. Box 27063
McPherson Station
Washington, D.C. 20038